

**COMMITTEE ON GOVERNMENT REFORM**  
**SUBCOMMITTEE ON GOVERNMENT EFFICIENCY AND FINANCIAL MANAGEMENT**  
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## **Platts Applauds New Financial Reporting Rules** *Changes Will Strengthen Agency Internal Accounting Controls*

WASHINGTON, D.C. – Coming on the heels of legislation to strengthen accounting controls at the Department of Homeland Security, the White House Office of Management and Budget moved to require stricter financial reporting and documentation requirements at all federal agencies. The changes to OMB's Circular A-123, slated to take effect in fiscal year 2006, will change the way agencies document safeguards to prevent and detect accounting errors or fraud – commonly known as internal controls.

Rep. Todd R. Platts (R-PA-19), Chairman of the Government Reform Subcommittee on Efficiency and Financial Management, commended OMB's action. "I'm pleased to see that the White House responded in such an aggressive manner to strengthen agency internal controls requirements," Platts said.

Increased scrutiny of management controls began with enactment of the Sarbanes-Oxley Act in 2002, which requires publicly-traded companies to significantly increase the documentation of internal controls and to have an independent auditor provide assurance on that information. The Department of Homeland Security Financial Accountability Act, which was sponsored by Rep. Platts and signed into law last October, placed a similar requirement on DHS.

While the new A-123 guidance will not require an auditor's opinion on internal controls at all Federal agencies, it significantly increases the documentation requirements and the level of assurance by management that internal controls are sound. Under the new guidance, if an agency demonstrates consistently poor financial accountability, OMB may require an internal controls audit.

Congress has enacted a number of laws over the past two decades aimed at increasing financial integrity at federal agencies. Most notably, under the Federal Managers Financial Integrity Act, passed in 1982, Federal managers report on the soundness of their internal controls procedures – a requirement far more stringent than anything in the private sector prior to Sarbanes-Oxley.

"My work on DHS helped bring the issue of internal controls to the forefront. With this changing focus, OMB's new guidance is an appropriate response. We recognize that increased documentation can be costly. Since the Federal government already adheres to a higher level of scrutiny, we must ensure that the benefits outweigh any additional costs," Platts said.

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